GAMBLE-SKOGMO, INC. ANNUAL REPORT 1970

AR25

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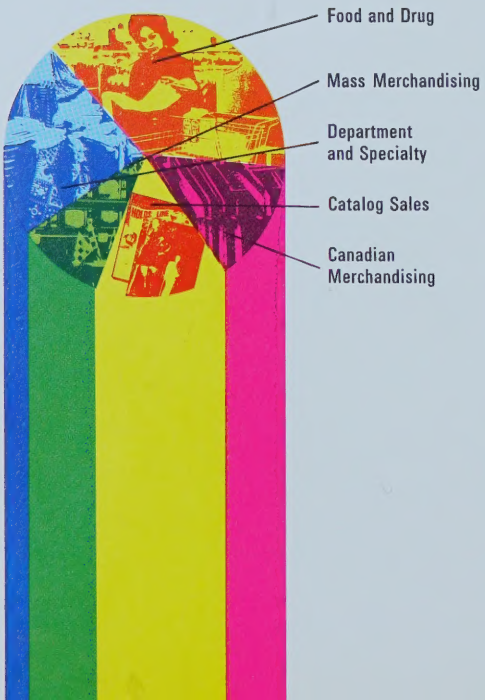


DIRECTORS AND OFFICERS

Bertin C. Gamble
James A. Watson
B. Fred Davidson
Walter H. Davies, Jr.
Louis E. Dolan
Arthur G. Johnson
Forest R. Lombaer
Burr L. Robbins
Harley C. Stephens
Edwin O. Wack
Carle R. Wunderlich

Bertin C. Gamble, *Chairman of the Board*
James A. Watson, *President*
Walter H. Davies, Jr., *Vice Chairman of the Board and Treasurer*
Louis E. Dolan, *Vice Chairman of the Board, Secretary and General Counsel*
Arthur G. Johnson, *Executive Vice President for Buying and Merchandising*
James E. Gottlieb, *Senior Vice President for Real Estate*
Forest R. Lombaer, *Senior Vice President for Personnel*
Lawrence W. Rixe, *Senior Vice President and Controller*
Edwin O. Wack, *Senior Vice President*
B. Fred Davidson, *Vice President*
Robert W. Hill, *Vice President for Procurement*
Roy W. Johnson, *Vice President for Buying*
Lawrence Kanters, *Vice President for Department Stores*
Frank D. Kollmer, *Vice President for Credit Operations*
William H. Lollar, *Vice President*
John Y. Loper, *Vice President for Store Design and Construction*
Charles H. Gauck, *Assistant Secretary and Assistant General Counsel*
Sheldon V. Durtsche, *Assistant Controller*
Charles E. Trussell, *Assistant Controller*
Norman M. Steck, *Assistant Treasurer*

ANNUAL MEETING

The annual meeting of stockholders will be held at the home office of the company on Friday, June 25, 1971 at 10:00 a.m. A proxy statement, including a request for proxies, will be mailed to stockholders approximately three weeks prior to the meeting.

TRANSFER AGENTS

First National City Bank
111 Wall Street
New York, New York 10015

The First National Bank of Chicago
One First National Plaza
Chicago, Illinois 60670

REGISTRARS

The Chase Manhattan Bank
1 Chase Manhattan Plaza
New York, New York 10015

Continental Illinois National Bank and Trust Company
231 South La Salle Street
Chicago, Illinois 60690

FINANCIAL HIGHLIGHTS

(All Dollars in Thousands except Amounts per share)

	Fifty-two weeks ended January 30, 1971	Fifty-three weeks ended January 31, 1970	Percent Increase over Last Year
Net Sales and Operating Revenues	$1,296,704	$1,258,404	3.0
Earnings before Income Taxes and Minority Interest	30,528	27,779	9.9
Net Earnings	15,066	13,206	14.1
Per Common Share Including Equivalent	3.08	2.66	15.8
Cash Dividends (Including Preferred)	8,165	8,062	1.3
Per Share of Common Stock	1.30	1.30	—

TO OUR STOCKHOLDERS

As indicated in last year's letter to stockholders, major emphasis in 1970 was placed upon the attainment of profit improvement to provide a base for future growth. This objective was accomplished with the establishment of all-time record high sales and operating earnings.

Earnings per common share were up 15.8 percent to $3.08, which compares to $2.66 per common share last year. Net earnings amounted to $15,066,000, compared to $13,206,000 for the previous year. Sales increased 3 percent to a record $1,296,704,000.

Evaluation of this comparative sales gain should take into account the fact that the fiscal year just ended comprised 52 weeks compared to 53 weeks in the previous year. Moreover, the economic climate was not conducive to improved sales and earnings.

No major acquisitions were made during the year, but we did continue to open new retail stores in nearly every division. New company-owned stores opened during the year totaled 49, and 152 new dealer outlets were established. Details and highlights of the progress of our various divisions are covered in the sections that follow.

In general, new stores were replacement units and in many instances represented the upgrading of smaller, outdated retail facilities where the demands of the market dictated.

We are particularly gratified that increased sales and earnings were attained in spite of a generally adverse economic atmosphere in both the United States and Canada. In all of the company's trade areas, competition was increasingly aggressive and over-all consumer demand for the big ticket items that comprise an important segment of our general merchandise business was, throughout most of the year, quite soft. Offsetting this somewhat weakened consumer demand was the fact that our commitment to the smaller cities and towns of Gambles' trade area in the United States and Canada tended to diminish somewhat the impact of negative factors in the total national economies.

We regard our earnings increase in 1970 as particularly significant in light of the high interest rates that prevailed for most of the year. Hopefully, recent decreases in current interest rates will be retained throughout 1971.

We were able to strengthen further the company's capital base and decrease our need for short-term borrowings through the sale of a new $20 million issue of Subordinated Income Capital Notes.

The separate investment counselors retained by Gambles and Red Owl Stores, Inc. to recommend an exchange ratio for the acquisition, by statutory merger, of the publicly held 19 percent of Red Owl common stock, have each recommended that .875 of a share of Gambles common stock be issued for each share of Red Owl common stock. The company's Board of Directors has accepted this recommendation, but the merger is subject to the approval of Red Owl's Board of Directors and stockholders.

In summary, 1970 was a good year for your company because:

- earnings were substantially improved
- new and effective merchandising programs and techniques were introduced
- further economies and cost reductions were achieved
- inventory control was improved, both at store and warehouse levels
- financial resources were further strengthened

In our letter last year, we stated that we would define direction for future growth. We have made progress toward this objective. As part of the defining process, we have recognized the complexity of Gambles, with its numerous merchandising divisions operating under various store names and widely dispersed geographically. Accordingly, for purposes of analysis, planning and reporting, we have

Directors of the company are (standing left to right), H. C. Stephens, J. A. Watson, A. G. Johnson, B. F. Davidson, and B. L. Robbins. Seated left to right are C. R. Wunderlich, W. H. Davies, Jr., L. E. Dolan, B. C. Gamble (Board Chairman), E. O. Wack, and F. R. Lombaer.

developed a classification of our merchandising operations into five major categories. The material which follows in this Report, including certain financial data, employs this organizational concept. The five merchandising groups are as follows:

1. food and drug
2. mass merchandising
3. department and specialty
4. catalog sales
5. Canadian merchandising

In addition, we have grouped into a sixth section, for identification and discussion, our non-merchandising activities.

A summary of the operating results of the six groups appears on page 25 of this report.

We feel that this presentation will be helpful to stockholders and others interested in the company, and it does indeed present, in a logical way, appropriate information about your company, and does help to identify areas for future growth.

We look forward to the future with confidence in the expectation of a more favorable economic climate and with the conviction that we have built a solid foundation for further improvement in our operations. We recognize a continuing need for greater immediate profits. We are also making real progress toward formulating longer-range plans for growth in sales and earnings.

B. C. Gamble

Bertin C. Gamble, Chairman of the Board

James A. Watson

James A. Watson, President

April 9, 1971

MANAGEMENT

The year saw a continuation of the program to strengthen our executive team. At the corporate level, new officers elected during 1970 were Frank D. Kollmer, Vice President for Credit, and John Y. Loper, Vice President for Store Design and Construction. These men had held similar posts with the Aldens catalog sales and the Red Owl food chain subsidiaries, respectively.

James E. Gottlieb, Senior Vice President for Real Estate, was in addition appointed President of Gambles House of Fabrics Division (formerly Eisen Mercantile, Inc.), and Edwin O. Wack, Senior Vice President, was assigned to serve as the Executive Committee member in charge of the Gamble Stores Division, and of warehousing and distribution for the Tempo and Gamble Stores Divisions.

Two corporate vice presidents assumed changed responsibilities during the year. Robert W. Hill, who had been Vice President for Buying (hardlines), became Vice President for Procurement (of supplies and services), and Roy W. Johnson, formerly Vice President for Buying (softlines), assumed responsibility for the buying of both softlines and hardlines merchandise.

It was with regret that we accepted the resignation of Carl C. Raugust, who retired in July as Chairman of the Executive Committee and as a Director. During his 40-year career with the company, Mr. Raugust served as its third president, succeeding the founders of the company, P. W. Skogmo, the first president, and B. C. Gamble, now Board Chairman.

A. G. Kirkness also retired from the Board of Directors during the year.

We are saddened to report the death, in May, of Henry J. Frommelt, Vice President for Public Relations.

Senior officers representing the company at the Annual Meeting of Stockholders on June 26, 1970 at the headquarters office in Minneapolis included (left to right): Walter H. Davies, Jr., Vice Chairman of the Board and Treasurer; James A. Watson, President; Louis E. Dolan, Vice Chairman of the Board, Secretary and General Counsel; and Bertin C. Gamble, Chairman of the Board and founder of Gambles.

FOOD & DRUGS

RED OWL STORES, INC.—approximately 81 percent owned by Gambles—and its wholly-owned subsidiary, SNYDER'S DRUG STORES, INC., operate 180 company-owned food stores, 38 company-owned drug stores, and service 265 franchised food stores and seven franchised drug stores. Red Owl's stores are located throughout the upper midwest states of Minnesota, Wisconsin, Iowa, North Dakota, South Dakota and the Upper Peninsula of Michigan. A Red Owl subsidiary operates food stores under the name "Foodtown" in the states of Kansas, Missouri and Oklahoma. Snyder's drug stores are concentrated in the Minneapolis-St. Paul metropolitan area but several are located at other Minnesota and Wisconsin points.

Vigorous expansion of the Red Owl Family Center division continued during the year as this retail mix of food, drugs and general merchandise under one roof continued to win favorable consumer acceptance. The number of these mass merchandising outlets increased from seven to eleven in 1970 with the opening of new units in Minnesota, South Dakota, Wisconsin and Michigan. The major thrust of Red Owl's 1971 expansion will be in the Family Center division.

In addition to the new Family Centers opened during the year, Red Owl also opened eight conventional supermarkets and two drug stores.

Red Owl accompanied the 1970 expansion of its retail outlets with the opening during the year of a new 193,000 square foot general merchandise warehouse in metropolitan Minneapolis-St. Paul. This non-food storage facility, which services Red Owl food stores and

Family Centers and Snyder's drug stores, is highly automated, and features a closed circuit television security system that permits continuous monitoring of the shipping, receiving and drug storage areas. Red Owl's grocery storage capacity was also increased with the completion of a 75,000 square foot addition to the distribution center in Fargo, North Dakota and the aquisition of an existing 127,000 square foot warehousing facility in Albert Lea, Minnesota.

Opened during the year was Red Owl's new 41,000 square foot meat service center, which is situated on a site adjacent to the Red Owl general office and distribution center at Hopkins, Minnesota, in suburban Minneapolis. This modern meat commissary receives fresh beef halves which are cut and trimmed of excess bone and fat. The prepared "primal" cuts are packaged in vacuum-sealed Cryovac bags, generally within three to four hours after arrival, for distribution to more than 115 company-owned and franchised food stores within its distribution area. There is continuous Federal inspection of the operations of the service center, which was designed throughout to meet U.S. Department of Agriculture standards. This facility also houses Red Owl's delicatessen kitchen, which occupies 14,000 square feet for the preparation of salad dressings, sauces, pizza and delicatessen items.

Red Owl's continued awareness of consumer desires and preferences was demonstrated by the introduction of several new programs intended to provide improved services to its customers. First, Red Owl introduced its trademarked Compar-A-Price program into stores in the Minneapolis-St. Paul metropolitan area. This program involves in-store disclosure to shoppers of the cost per unit of measure of selected packaged and canned products. With this information, every shopper can make immediate, valid, price comparisons on competing brands and various sizes of the same brand. An additional consumer service inaugurated in the same stores was its "Freshness is no Secret at Red Owl" program, which enables customers to consult a free booklet of dating codes to verify the freshness of perishable products. Initial consumer response to these programs has been extremely gratifying, and the company is planning to extend them to other parts of its operating territory.

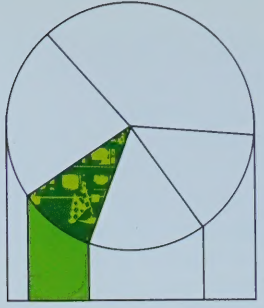
An Environmental Concerns Committee was formed during the year to tackle ecological and conservation problems. Incinerators, long used at store level to dispose of the vast quantity of cartons and waste paper that accumulates, are being replaced by baling equipment that is currently compressing one-half million pounds of material each week for return to paper mills for recycling. The company's private-label cake mix, gelatin, and potato chip cartons, as well as boxes containing other in-house products, are being switched to containers manufactured from recycled paper.

Afterburners are being installed in the company's Hopkins coffee roasting plant to limit smoke emission, although the plant already satisfactorily meets pollution control standards.

Food and Drug Sales and Earnings (millions)

	1971		1970		Change	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent
Sales	$487.4	37.5	$456.4	36.3	+ $31.0	+ 6.8
Earnings	5.1	16.7	5.8	20.9	− .7	−12.1

A major contributor to overall sales and earnings. Sales trend continues strong. Earnings comparison adversely affected primarily because of comparison with 53 weeks in previous year and heavy capital expenditures for both stores and service facilities.



MASS MERCHANDISING

The mass merchandising group, which includes 53 Tempo stores in 16 midwestern and western states, and 18 Buckeye Marts in Ohio, consists of modern, central checkout, low-margin department stores. The Tempo outlets and Buckeye Marts, ranging in size from 20 to 90 thousand square feet, provide not only nationally-branded merchandise, but also a strong private label program, and pricing is aggressively competitive in their respective markets. In maintaining such a merchandising strategy, however, product quality and fashion appeal are not sacrificed.

During the past year, the TEMPO STORES DIVISION introduced an exciting program for progress and each store became "Tempo, the Pacesetter" —a fresh, new and exciting place for the entire family to shop. The Pacesetter concept was launched in May with very favorable results. Sales jumped dramatically to substantially higher levels, and these solid increases were maintained throughout the balance of the year.

Every facet of the Tempo operation has been explored and strengthened. Major changes in management, effected during 1970, have served to reinforce Tempo's entire field and home office supervision and training capability. The Tempo Stores Division is now set for the 70's with potential for substantially improved earnings.

In the BUCKEYE MART DIVISION the last of the small Cussins & Fearn hardware stores were phased out. A basic operating philosophy placing emphasis on the mass merchandising and self-service format, utilizing impact display, high inventory turnover and strong promotional effort was adopted. A restructuring of the organization was completed, and responsibilities were reassigned to

personnel whose best talents could be utilized with the new marketing concept.

As in the Tempo Division, May became the "swing month" for Buckeye Mart stores. Unprecedented sales goals, after a month-long promotion and a "Last Hour" sale, were obtained. Sales for the balance of the fiscal year reflected the new philosophy and remained at a record high.

A new concept in store layout was created with greater emphasis on self-selection to increase sales and turnover velocity. To complement this concept, the warehouse operation was transformed into a mass merchandising distribution center and two new data processing systems were placed in operation.

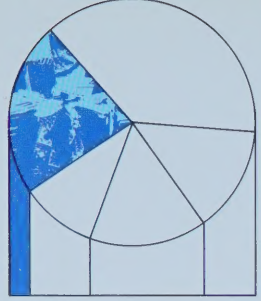
The newest Buckeye Mart recently opened in Westerville, Ohio. This 55,000 square foot store is the fifth in metropolitan Columbus, the headquarters city of the Buckeye Mart Division. Proximity to the warehouse and the shared costs of local advertising make it possible to substantially increase the profit potential of these outlets.

The stage is set for continued substantial improvement in 1971.

Mass Merchandising Sales and Earnings (millions)

	1971		1970		Change	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent
Sales	$133.5	10.3	$127.5	10.1	+ $ 6.0	+ 4.7
Earnings	1.4	4.6	.8	2.9	+ .6	+75.0

Management views this division as one with potential to add substantially to future sales and earnings.



DEPARTMENT & SPECIALTY

The stores in this group are generally located in the central and western states. The group comprises six divisions and subsidiaries whose operations are described on these two pages. Although all of the department stores are company-owned and each of the other divisions operates a number of company-owned outlets, the majority in number of stores in this group are franchised.

During the year, the J. M. McDONALD CO. DIVISION, with 88 department stores in 10 states, successfully introduced a unique personnel training—customer service program designed to accentuate the positive, or "PLUS" attitude of employees. The "PLUS" program at McDonalds has resulted in more personalized service at point of sale.

The division's computer center was programmed in 1970 to determine to a greater degree the wants and needs of its customers.

McDonalds opened two stores during the year, a replacement unit in Hastings, Nebraska (where its general offices are located), and a new outlet in Wichita, Kansas.

The GAMBLE DEPARTMENT STORES, INC. subsidiary maintains its headquarters in Chicago and operates 26 stores in 14 states. Six of the stores bear the name of Aldens, while others have long-established names that have been well known to consumers for many years. In most cases, these outlets are the dominant department stores in their trade areas and have long-time records of consumer service.

The strong fashion and quality reputation of the Gamble department stores is expected to enable these quality units to continue to take full advantage of ever-increasing customer affluence, education and taste levels.

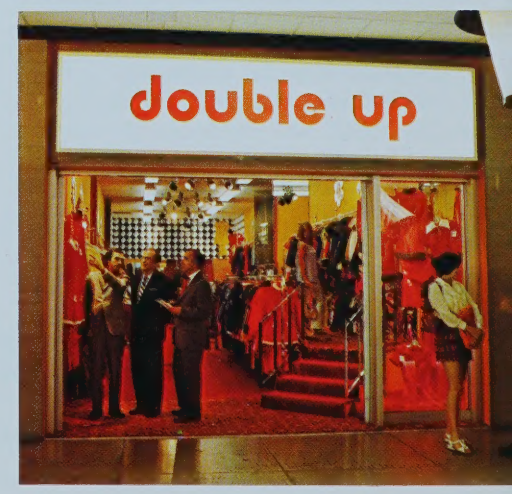
During the year, Pushins, in Bowling Green, Kentucky, opened a boutique shop called Pushins-on-the-Mall, which emphasizes new merchandising concepts for the modern, sophisticated young customer.

The Burbank, California-based MODE O'DAY DIVISION services 651 franchised dress shops and operates 57 company-owned units, with the heaviest concentration of its stores in the western states. In addition to distribution centers at Burbank and Kansas City, Missouri, the company also operates factories at 10 other locations and is a major manufacturer of California-styled feminine apparel.

Mode O'Day's new "Double-up" retail merchandising concept, which involves displaying merchandise "over and under" on two levels within the store, was designed to offset the cost/price squeeze by utilizing sales space more efficiently, thus taking advantage of retail shop cubic footage rather than square footage as heretofore. Two prototype "Double-up" units in California have, to date, exceeded sales expectations.

The GAMBLE STORES DIVISION, based in the company's Minneapolis home office, services a greater number of franchised dealer outlets than any other of the company's divisions or subsidiaries. Gambles has been actively engaged in franchising since 1933 and today, 1,300 franchised Gamble hardlines stores and 155 franchised Skogmo softlines outlets serve consumers in 23 states. In addition, the division operates 74 company-owned Gamble stores.

The Gamble stores are served by six distribution centers totaling 1.2 million square feet of modern warehousing facilities.



The division has recently installed a sophisticated telephone-computer service called "Scope" which enables dealers and managers of company-owned stores to call an on-line computer center and learn immediately the availability of specific merchandise items.

The new "Big Look" for the Gamble and Skogmo stores emphasizes larger sales areas, more colorful decor, carpeting, the newest innovations in fixturing, and new store signing. The Big Look is also projected in its consumer advertising concepts.

Sales of the GAMBLES HOUSE OF FABRICS DIVISION reached record levels with the ever-increasing popularity of home sewing and dressmaking. This Kansas City-based division, formerly called the Eisen Mercantile Division, climaxed its year with a President's Month retail sales promotion which resulted in a 42 percent increase over the same period a year ago.

The division's 96 franchised and 40 company-owned fabric stores include one unit recently taken over from another division which relocated its store in a larger facility. This type of inter-divisional cooperation enables Gambles House of Fabrics to expand, and at the same time to relieve its sister divisions of lease liability on locations no longer productive.

Recently opened in Denver was an 18,000 square foot retail outlet, by far the largest fabric store to be opened by the division. It is anticipated that this unit will be a prototype for similar fabric shops to be opened at future dates.

The Burbank, California-based RASCO STORES DIVISION is a variety store chain consisting of 135 franchised stores and two company-owned units.

The division's recent expansion into the specialty field is a natural development from its basic variety store concept and represents movement in three parallel directions: with franchised outlets, with company-owned operations, and with specialty departments in existing Rasco stores.

Three years ago it opened its first fabric store and today it services eight units and 16 yard goods departments in the larger Rasco outlets.

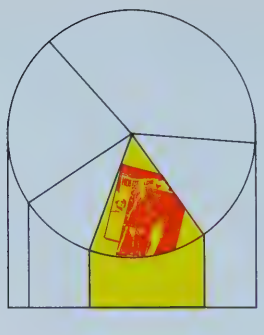
Twenty-six toy stores have been acquired since 1969 in two separate transactions. In addition, full-line toy departments have been added to 26 existing Rasco variety stores. To capitalize on the growing popularity of the "do-it-yourself" market, a building supply store has been franchised and to date, nine building supply departments have been added to existing stores. Rasco has also opened four lawn and garden nurseries, two of which are franchised operations.

Expansion plans for the year ahead call for additional toy stores, fabric shops, building supply outlets and nurseries, while other specialty shops are in the planning stage.

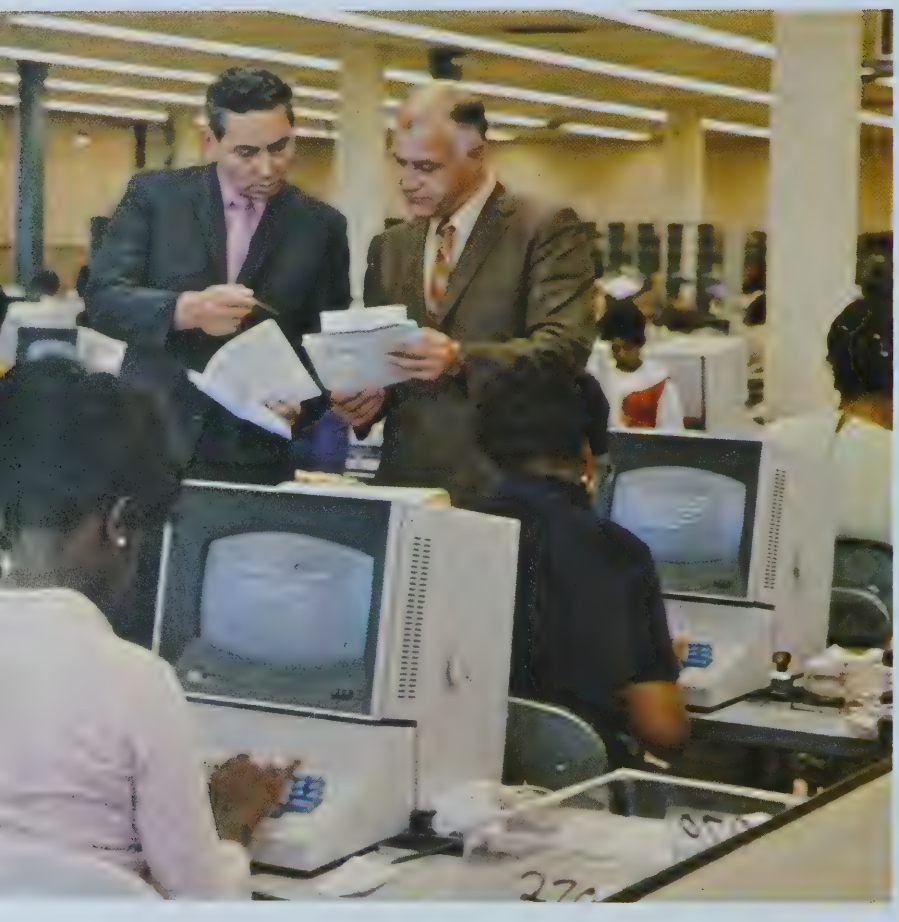
Department and Specialty Sales and Earnings (millions)

	1971		1970		Change	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent
Sales	$286.3	22.0	$283.7	22.5	+$ 2.6	+ .9
Earnings	10.0	32.8	9.6	34.5	+ .4	+4.2

Steady operating performance with modest improvements in both sales and earnings.



CATALOG SALES



ALDENS, INC., one of the nation's major catalog sales companies, serves more than three million active customers in all 50 states. This Chicago-based subsidiary of Gambles offers consumers over 40,000 merchandise items through its 18 annual sales catalogs and flyers with an annual aggregate circulation of 60 million. The more than 4,000 catalog pages are a unique type of salesman—planned and designed to sell merchandise of all kinds from **A**ir conditioners to **Z**ippers.

The company is advancing rapidly toward total computerization of its operation and merchandising areas. A battery of "Scopes" (pictured at left) are used to monitor and process the veritable flood of orders for merchandise that arrives at Aldens main distribution center each day.

Aldens strives for strong market penetration of selected high-volume items through an aggressive marketing program.

As a public service contribution, Aldens frequently devotes valuable advertising space on its catalog wrappers to messages of public interest, such as to promote programs of health agencies and to inform the public of issues of national importance.

Catalog Sales and Earnings

(millions)

	1971		1970		Change	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent
Sales	$193.8	14.9	$187.7	14.9	+$ 6.1	+ 3.2
Earnings	3.6	11.8	2.1	7.5	+ 1.5	+71.4

A substantially improved performance which exemplifies our continued efforts to achieve an improved earnings-to-sales relationship.

Each catalog page is designed to accomplish its sales objective in a selective way.

The fashion pages are produced with maximum style appeal . . . soft, warm colors. Attractive, yet believable models appear with copy that talks to a woman in language she understands.

The Trail Bike page is bold and dramatic, with action photography and hard-hitting copy to capture the imagination of the young at heart. Aldens' sales of Trail Bikes were almost non-existent three years ago. This year, sales will reach over $1 million.

The popularity of pool tables has accompanied the tremendous upsurge in leisure time activity and family entertainment. As a result, pool tables by the thousands are shipped out to satisfy this consumer desire.

CANADIAN MERCHANDISING

Canadian merchandising operations extend into all provinces but are concentrated most heavily in the western plains. The three retail divisions and subsidiaries are directed by GAMBLES CANADA LIMITED, based at Winnipeg, Manitoba.

To stimulate sales in a generally lagging economy, a sustained merchandising contest was introduced during August in all three retail companies. This promotion, called the Pot O'Gold contest, generated substantial sales increases through the rest of the calendar year. We plan to continue effort through each of the four quarters of 1971.

To be fully competitive with other major Canadian retailers, and to promote additional sales by offering consumers a more sophisticated credit program, all of our Canadian time payment credit accounts were converted to a central, entirely computerized, revolving credit plan. Customers of our three retail companies have been issued credit cards acceptable at all company-owned and dealer stores.

A total of 51 new franchised dealer stores were opened during the year. Of these, 26 were new locations and 25 were conversions to dealerships of former company-owned stores. Such conversions retain warehouse tonnage and release capital funds for the expansion and development of larger, more profitable company-owned stores in urban communities. In addition, five new company-owned outlets were opened, and 15 stores were remodeled and expanded.

A major accomplishment during the year was further reorganization and upgrading of personnel throughout the Canadian companies. The restructuring process extended into all echelons, including top management, buying, merchandising and office staffs, field supervision and store personnel. Our new Canadian team is a retail-oriented and experienced group, capable of dealing effectively with the problems of the years ahead.

MARSHALL WELLS LIMITED supplies 31 company-owned and 258 franchised hardware outlets located primarily in the provinces of Alberta, British Columbia, Manitoba, and Saskatchewan. This subsidiary also owns 49 percent of Wood Alexander, Ltd., at Hamilton, Ontario, which services 80 Crest hardware stores in the province of Ontario. A major segment of Marshall Wells is its industrial division, which supplies building materials to the Canadian construction industry.

The Winnipeg-based hardware chain is Canada's pioneer hardlines retailer, having served consumers since 1900. The year 1970 was noteworthy for several reasons, among them being the 25th anniversary of the opening of the first franchised Marshall Wells dealer at Killarney, Manitoba.

After extensive study, an improved system of inventory control is being installed in each of the nine Marshall Wells distribution centers. Also, a computerized system of evaluating departmental performance has been developed. This will result in the reduction of inventories and place emphasis on high-turnover merchandise items. These programs will improve the company's inventory position and its return on invested capital.

The year ended January 30 saw the addition of two company-owned units and seven franchised stores.

The Winnipeg-based MACLEODS DIVISION, the largest of the merchandising group, is a general merchandise chain of 79 company-

owned and 167 authorized dealer stores in five of the Canadian provinces.

Expansion plans for the division include the development of a number of service station outlets, a natural and compatible adjunct to its retail stores, which deal heavily in automotive accessories.

To maintain its competitive position in the western Canadian market, Macleods, which has historically serviced rural areas primarily, is shifting its expansion into metropolitan markets as well as into shopping centers in communities now served.

The year saw the addition of seven new dealer stores and the relocation of three company-owned stores into new, larger facilities.

Clark's-Gamble of Canada, Ltd., a division of Macleods, operates five mass merchandising, self-service discount department stores, and four auto service centers, under the name "Gambles". These are located in the provinces of Manitoba and Ontario.

The year was one of reorganization and consolidation for the STEDMANS DIVISION. This Toronto-based variety store chain moved into its new 270,000 square foot distribution center and office, one of the most modern facilities serving any retail chain in Canada.

Sixteen of the 232 dealerships now serviced were converted from company-owned to franchised operations during the year. At year end, this division also included 104 company-owned units. Although most of its outlets are located in the province of Ontario, the company also services stores in the other nine provinces.

Although combination merchandise shows and sales clinics for dealers and store managers are common to all retail divisions and subsidiaries, the Stedmans convention in June was particularly noteworthy for a 70 percent increase in dealer purchasing.

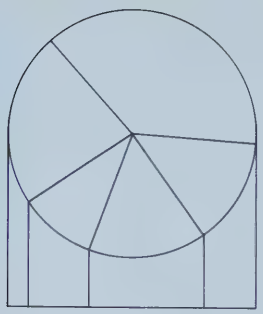
NOTE: *Claude Neon Advertising Limited, the largest outdoor advertising company in Canada and a Gambles subsidiary, is included with the non-merchandising operations on pages 14 and 15.*

R. B. Sutherland (left), President, and A. W. K. Besant, Executive Vice President, of Gambles Canada Limited.

Canadian Merchandising Sales and Earnings (millions)

	1971		1970		Change	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent
Sales	$180.7	13.9	$186.1	14.8	−$5.4	− 2.9
Earnings	6.7	22.0	5.8	20.9	+ .9	+15.5

Earnings improvement established in face of difficult economic conditions.



NON-MERCHANDISING

Gambles non-merchandising activities include vehicle leasing, insurance, banking, real estate development, a travel service and outdoor advertising.

GAMBLES C & M LEASING COMPANY, which is engaged primarily in vehicle fleet leasing, enjoyed remarkable progress in its first full year of operation following the acquisition by Gambles of its interest in the company. The total number of trucks and automobiles on lease increased sharply as a number of large fleet customers were placed on contract.

GAMBLE ALDEN LIFE INSURANCE COMPANY offers individual insurance to Aldens' mail order customers and credit insurance to customers of all of our merchandising operations and to customers of other merchants. It also provides group life and health insurance to Gambles' employees, dealers, and to non-affiliated employers through our own representatives and independent brokers. Individual life insurance is sold by dually licensed agents. At year end, life insurance in force exceeded $800,000,000 and premiums collected in 1970 were in excess of $13,000,000.

The past year has been a productive one for GAMBLE DEVELOPMENT COMPANY, our real estate subsidiary. Its first three enclosed-mall shopping complexes were opened in Escanaba, Michigan; Inver Grove Heights, Minnesota; and Two Rivers, Wisconsin. The latter is an all-Gambles franchised center consisting of a Red Owl food store, a Snyders drug store, a House of Fabrics shop, a Gamble hardlines store and a Skogmo apparel shop. Two additional weather-controlled shopping malls are scheduled to open this year at Hibbing and Virginia, Minnesota, and a sixth will soon be in the process of construction at Kimberly, Wisconsin. Three more centers are in the preliminary planning stages.

Non-Merchandising Operations

(millions)

	1971		1970		Change	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent
Operating Revenues	$15.0	1.4	$17.0	1.4	−$2.0	−11.8
Earnings	4.4	14.4	4.5	16.2	− .1	− 2.2

The above includes earnings, but not the operating revenues, of unconsolidated subsidiaries.

GAMBLES CONTINENTAL STATE BANK experienced another year of growth. Total assets increased to $16.4 million and net income was up sharply for the year. The total number of savings accounts increased more than 10 percent during the year, due in part to a unique marketing program that provided for cash incentives to be deposited by the bank to new savings accounts. In spite of the tight money market during the year, the bank was able to service all of the student loan requests made by its regular customers. This enabled many young people to continue their education during a period when financial assistance was difficult to obtain.

CLAUDE NEON ADVERTISING LIMITED of Montreal, together with its divisions, Universal Signs Ltd. of Winnipeg and E. L. Ruddy Company, Ltd. of Toronto, is Canada's largest outdoor advertising company. A major contract received during the year was to fabricate and erect the new American Motors dealer sign program throughout the country.

The GAMBLES HOLIDAY TRAVEL SERVICE DIVISION, acquired by Gambles in 1968, enjoyed a 62.3 percent increase in travel sales volume handled during the year. Group tours were arranged during the period for vacation areas such as Hawaii, Europe and the Orient.

NOTE: *Operating results by group are summarized on page 25.*

SIGNIFICANT COMPARISONS

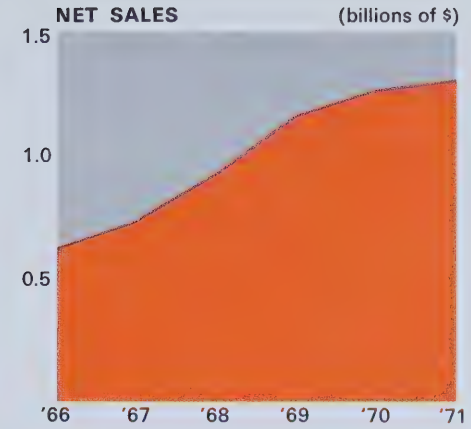
(All Dollars in Thousands Except

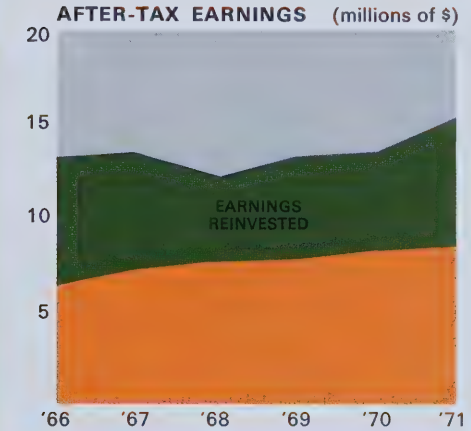
Fiscal Year Ended in January	1971	1970	1969
Results for the year:			
Net sales and operating revenues	$1,296,704	$1,258,404	$1,144,165
Earnings before income taxes and minority interest	30,528	27,779	28,379
Federal, state, and Canadian taxes	14,778	13,873	14,422
Net earnings	15,066	13,206	13,173
Cash dividends (including preferred)	8,165	8,062	7,612
Per Share of Common Stock:			
Earnings per share including common equivalents	3.08	2.66	2.81
Cash dividends	1.30	1.30	1.30
Book value	31.87	29.83	28.69
Book value assuming conversion of preferred stock	33.39	32.21	31.60
Year End Position—Operating Companies:			
Inventories	214,173	198,739	212,562
Net working capital	173,153	191,546	173,166
Current ratio	2.0 to 1	2.2 to 1	2.3 to 1
Capital funds	281,693	258,223	244,838
Year End Position—Finance Companies:*			
Customer deferred payment accounts	258,299	224,307	235,617
Long-term debt-senior	102,928	64,896	71,693
Long-term debt-subordinated	13,842	14,724	15,606
Stockholders' equity	65,666	62,403	60,812
Number of:			
Full time employees	24,275	26,349	26,741
Square feet of selling space	8,931,000	9,155,000	9,494,000
Company-owned stores	799	802	907
Authorized dealers	3,266	3,255	3,231
Common shares outstanding at year end	3,999,620	3,839,951	3,602,430
Shareholders	17,345	18,101	17,299
Subordinated income note holders	7,566	4,277	3,549

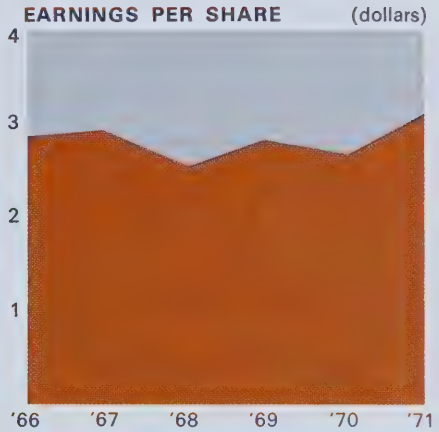
*Finance company information for 1966 and 1967 is not available as certain finance operations were included within the operating companies in those years.

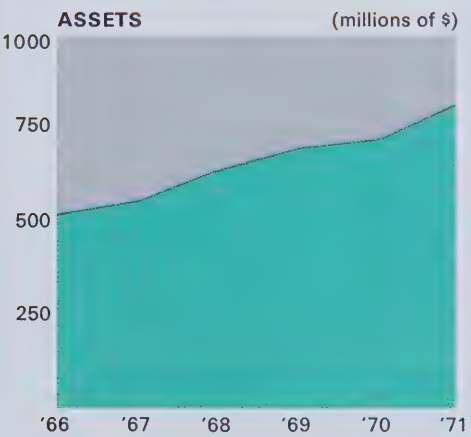
Amounts Per Share)

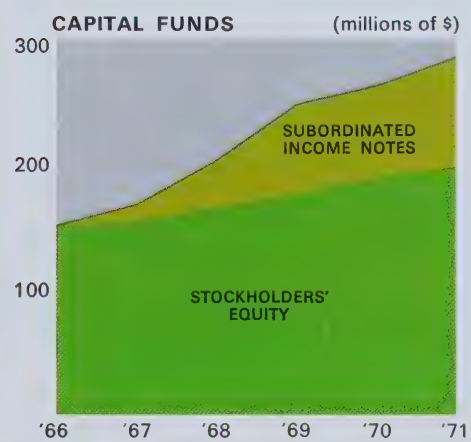
1968	1967	1966
$ 910,312	$ 701,501	$ 624,224
25,452	28,028	25,615
12,940	14,451	12,485
11,995	13,279	13,035
7,407	7,058	6,343
2.51	2.90	2.85
1.30	1.25	1.20
26.28	24.95	23.16
30.16	29.31	28.17
187,388	171,359	150,202
165,955	207,593	176,240
2.6 to 1	2.5 to 1	2.3 to 1
201,307	165,400	152,820
227,569	—	—
76,573	—	—
16,253	—	—
57,901	—	—
27,286	23,768	21,754
8,656,000	6,531,000	6,276,000
987	782	753
3,349	3,104	3,115
3,454,885	3,454,460	3,443,983
17,059	16,476	16,576
3,789	2,551	1,000











CONSOLIDATED BALANCE SHEET

January 30, 1971 with Comparative Figures at January 31, 1970

(All Dollars in Thousands)

ASSETS	1971 Operating Companies	1971 Finance Companies	1971 Real Estate Companies	1971 Consolidated	1970 Consolidated
Current assets:					
Cash, including temporary cash investments	$ 34,809	$ 6,002	$ 547	$ 41,358	$ 56
Receivables (Note 2)	91,385	265,662	6,309	327,163	282
Inventories at lower of cost or market	214,173	—	—	214,173	198
Property held for development and resale	—	—	6,916	6,916	
Prepaid expenses	11,642	359	7	12,008	11
Total Current assets	352,009	272,023	13,779	601,618	54
Investments (Note 1):					
Investment in subsidiaries	79,737	—	—	8,886	
Other securities and notes receivable, at cost	7,607	5,552	1,826	8,657	1
Total Investments	87,344	5,552	1,826	17,543	1
Property and equipment—net (Note 3)	69,718	—	40,708	110,426	10
Intangible assets, arising in connection with acquisition of subsidiary companies (Note 4)	26,967	—	—	26,967	2
Deferred charges and miscellaneous assets	14,910	298	403	15,342	14
	$550,948	$277,873	$ 56,716	$771,896	$71

See accompanying notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	1971 Operating Companies	1971 Finance Companies	1971 Real Estate Companies	1971 Consolidated	1970 Consolidated
Current liabilities:					
Notes payable	$ 6,158	$ 71,167	$ —	$ 77,325	$ 59,435
Current instalments of long-term debt	4,613	5,684	1,357	11,654	13,518
Accounts payable and accrued liabilities	120,863	17,993	10,951	113,614	108,602
Current income taxes	3,258	324	394	3,976	3,427
Deferred taxes applicable to instalment sales	43,964	—	—	43,964	35,460
Total Current liabilities	178,856	95,168	12,702	250,533	220,442
Deferred credits	8,876	269	1,393	10,269	6,911
Minority interest in consolidated subsidiaries	7,495	—	—	7,495	7,160
Long-term debt (Note 5) excluding subordinated income notes shown below as capital funds:					
Senior	74,028	100,678	37,436	212,142	210,359
Subordinated	—	16,092	—	13,842	14,724
Total	74,028	116,770	37,436	225,984	225,083
Capital funds:					
Subordinated income notes (Note 6)	88,021	—	—	83,943	67,679
Stockholders' equity	193,672	65,666	5,185	193,672	186,466
Total Capital funds	281,693	65,666	5,185	277,615	254,145
Contingent liabilities and commitments (Note 11)					
	$550,948	$277,873	$ 56,716	$771,896	$713,741

CONSOLIDATED STATEMENT OF EARNINGS

(All Dollars in Thousands Except Earnings Per Share)

	Fifty-two weeks ended January 30, 1971	Fifty-three weeks ended January 31, 1970
Net sales and operating revenues	$1,296,704	$1,258,404
Costs and expenses:		
Cost of sales, including certain occupancy and buying costs	989,715	947,569
Operating and administrative expense (Note 2)	233,406	242,657
Depreciation and amortization	12,492	11,617
Interest—net	30,187	28,483
Contribution to employees' pension and thrift sharing plans (Note 7)	4,710	4,149
Total cost and expenses	1,270,510	1,234,475
Other income—net (Note 1)	4,334	3,850
Earnings before income taxes and minority interest	30,528	27,779
Income taxes including deferred taxes of $8,603 and $4,850	14,778	13,873
Minority interest in earnings of subsidiaries	684	700
Net earnings	$ 15,066	$ 13,206
Earnings per share (Note 10)		
Common including equivalents	$3.08	$2.66
Common assuming full dilution	$2.52	$2.31

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(All Dollars in Thousands)

	Fifty-two weeks ended January 30, 1971	Fifty-three weeks, ended January 31, 1970
Source of funds:		
Net earnings	$15,066	$13,206
Depreciation and amortization	12,492	11,617
Proceeds from common stock issuance	305	3,424
Increase in long-term debt	901	9,413
Increase in subordinated income notes	16,264	2,672
Retained earnings of business acquisition	—	2,145
Increase in deferred credits	3,358	1,328
Other sources	435	487
	$48,821	$44,292
Application of funds:		
Cash dividends	$ 8,165	$ 8,062
Increase in working capital	22,659	12,703
Additions to fixed assets, net of disposals	15,797	20,016
Increase in investments	925	3,511
Increase in deferred charges	1,275	—
	$48,821	$44,292

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Fifty-two weeks ended January 30, 1971

(All Dollars in Thousands)

	Shares	Amount
Preferred Stock—voting, cumulative and convertible (Note 8):		
$40 par value; $1.75 per share dividend; authorized 600,000 shares:		
Beginning of period	596,952	$ 23,878
Conversion to common shares	61,531	2,461
End of period	535,421	21,417
$5 par value; $1.60 per share dividend; authorized 1,400,000 shares:		
Beginning of period	1,334,245	6,671
Conversion to common shares	85,493	427
End of period (aggregate preference upon involuntary liquidation $43,706)	1,248,752	6,244
Common Stock (including additional Paid in Capital)		
$5 par value; authorized 10,000,000 shares (Note 8):		
Beginning of period	3,839,951	33,590
Conversion of preferred shares	148,869	2,888
Exercise of stock options	10,800	305
End of period	3,999,620	36,783
Retained Earnings (Note 9):		
Beginning of period		122,327
Net income		15,066
Cash dividends:		
Preferred		(3,144)
Common		(5,021)
End of period		129,228
Total Stockholders' Equity		$193,672

See accompanying notes to consolidated financial statements.

SUMMARY OF OPERATING RESULTS BY GROUP

(Amounts in millions)

	1971		1970		Change	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Pct.
Net Sales and Operating Revenues:						
Food and Drugs	$ 487.4	37.5	$ 456.4	36.3	$ 31.0	6.8
Mass Merchandising	133.5	10.3	127.5	10.1	6.0	4.7
Department and Specialty Stores	286.3	22.0	283.7	22.5	2.6	.9
Catalog Sales	193.8	14.9	187.7	14.9	6.1	3.2
Canadian Merchandising	180.7	13.9	186.1	14.8	(5.4)	(2.9)
Total Merchandising	1,281.7	98.6	1,241.4	98.6	40.3	3.2
Non-Merchandising Operations	15.0	1.4	17.0	1.4	(2.0)	(11.8)
Total	$1,296.7	100.0	$1,258.4	100.0	$ 38.3	3.0
Divisional Earnings:						
Food and Drugs	$ 5.1	16.7	$ 5.8	20.9	$ (.7)	(12.1)
Mass Merchandising	1.4	4.6	.8	2.9	.6	75.0
Department and Specialty Stores	10.0	32.8	9.6	34.5	.4	4.2
Catalog Sales	3.6	11.8	2.1	7.5	1.5	71.4
Canadian Merchandising	6.7	22.0	5.8	20.9	.9	15.5
Total Merchandising	26.8	87.9	24.1	86.7	2.7	11.2
Non-Merchandising Operations	4.4	14.4	4.5	16.2	(.1)	(2.2)
Corporate expense—net	(.7)	(2.3)	(.8)	(2.9)	.1	12.5
Income before Income Taxes and Minority Interest	$ 30.5	100.0	$ 27.8	100.0	$ 2.7	9.9

The schedule above illustrates our merchandising diversification and growth during 1970. Earnings are net of a charge for capital employed by the respective divisions.

ES TO
NSOLIDATED
NCIAL STATEMENTS

(1) Principles of Consolidation

nsolidated financial statements include the ac- f Gamble-Skogmo, Inc., and all subsidiaries; wholly-owned life insurance subsidiary and ther subsidiaries, all of which, when considered ggregate, do not constitute a significant sub- he investments in all unconsolidated sub- re carried at underlying equity values. Earnings nconsolidated subsidiaries, included in other were $1,878,000 in 1971 and $1,635,000 in d represent principally the earnings of the subsidiary.

nce has been made for loss on conversion of unts of Canadian subsidiaries to U.S. Dollars.

(2) Receivables

r deferred payment accounts	$304,767,000
ounts principally dealer	30,668,000
eous	12,603,000
accounts receivable	348,038,000
wance for doubtful accounts and ted collection expenses	20,875,000
receivables	$327,163,000

ing and administrative expense in the accom- statement of earnings is stated net of credit nance charges. Net earnings derived from credit iance charges is less than 10% of consolidated ings.

roperty and Equipment (at cost)

	$ 10,985,000
gs and equipment	166,885,000
	177,870,000
llowance for depreciation	78,059,000
	99,811,000
hold improvements less amortization	10,615,000
Net Property and Equipment	$110,426,000

preciation and amortization is provided generally he straight-line method.

bstantially all properties of the real estate sub- ries are pledged as collateral under long-term debt ements.

(4) Intangible Assets

The Companies do not intend to amortize the remaining balance of intangible assets arising in connection with the acquisition of subsidiaries since there has been no evidence of impairment of value of the assets and business of such subsidiaries.

(5) Long-term Debt

At January 30, 1971, long-term obligations, excluding current instalments, consisted of the following:

Senior indebtedness:	
Revolving credit agreements at prime to ½% over prime	$ 80,000,000
Sinking fund debentures, 5% to 6%, maturing to 1982	30,336,000
Notes Payable:	
5% to 8⅞%, unsecured, due to 1984	60,796,000
4¼% to 9½%, secured by equipment and real estate, due to 1997	41,010,000
	212,142,000
Subordinated notes, 5% to 5⅞%, maturing to 1985	13,842,000
	$225,984,000

At January 30, 1971, the Company and certain finance subsidiaries have borrowed the maximum amounts under $60,000,000 and $20,000,000 revolving credit agreements with banks at prime to ½% over prime interest rates. The portion of such loans outstanding at April 15, 1972 may be converted into three and five year term loans, respectively. The full $80,000,000 has been repaid subsequent to January 30, 1971 from proceeds of short-term debt.

Assuming the $80,000,000 authorized under the revolving credit agreements is borrowed and converted to term loans, annual sinking fund and principal payments on long-term debt and subordinated income notes (note 6) during the next five years are as follows: 1972—$11,654,000; 1973—$41,349,000; 1974—$36,526,000; 1975—$35,230,000; 1976—$24,990,000.

(6) Subordinated Income Notes

Certain subordinated income notes require current sinking fund payments equivalent to 5% of the original issuance, $22,718,000, of notes due February 1, 1977. Similar payments also commence in 1977 on the original issuance, $31,500,000, of notes due in 1984.

(7) Pension and Thrift Sharing Plans

Contributions to employees' pension and thrift sharing plans include payments to foreign, union and supplementary retirement plans. It is the Company's policy to fund normal cost accrued and interest on prior service costs. The actuarially computed value of vested benefits is fully funded.

The life insurance subsidiary administers the assets of the Gamble-Skogmo, Inc. and Subsidiaries Pension Plan. Administrative fees paid by the Pension Plan to the insurance subsidiary were $800,000 in 1971 and $1,047,000 in 1970.

(8) Capital Stock

At January 30, 1971, common shares were reserved as follows:

	Shares
Conversion of preferred stock	1,800,236
Employee stock options	617,745
Common stock purchase warrants	432,974
	2,850,955

Each share of $1.75 preferred stock is convertible into 1.03 shares of common stock until October 31, 1973; 9,037/10,000ths of a share to October 31, 1978, and 8,024/10,000ths of a share to October 31, 1983, on which date conversion rights expire. The stock is redeemable at the option of the Company at $42.00 per share plus accrued and unpaid dividends to October 31, 1971, with successive annual reductions of 25¢ per share to $40.00 per share on and after November 1, 1978. Sinking fund requirements, equal to 5% per year of shares issued, commence in 1983.

Each share of $1.60 preferred stock is convertible into one share of common stock until November 30, 1974, 9/10th of a share to November 30, 1979 and 8/10th of a share to November 30, 1984, on which date conversion rights expire. The stock is redeemable at the option of the company and in the event of involuntary liquidation at $35.00 per share plus accrued and unpaid dividends. Sinking fund requirements, equal to 5% of shares issued, commence in 1984.

Under the Company's option plans for executives and key employees, options are granted at market value and are exercisable from two to five years after date of grant. Shares under option were as follows:

	Shares
Outstanding January 31, 1970	312,100
Granted	65,000
Exercised	(10,800)
Expired	(29,055)
Outstanding January 30, 1971	337,245

The aggregate option price for shares outstanding at January 30, 1971 was $8,417,000 and 94,532 shares were exercisable.

Warrants to purchase common stock issued in connection with the sale of subordinated income notes are exercisable at prices ranging from $25.50 to $40.00 per share and expire from August, 1975 to January, 1984.

(9) Retained Earnings

Retained earnings at January 30, 1971, include undistributed earnings of subsidiaries, $97,203,000, of which approximately $44,099,000 is restricted as to payment of dividends under the terms of indentures and agreements relating to most restrictive long-term debt.

(10) Earnings Per Share

Earnings per common share including equivalents has been computed based on the weighted average number of shares of common stock and common stock equivalents (stock options and warrants) outstanding during the year. The average number of such shares outstanding was 3,867,957 in 1971 and 3,773,516 in 1970.

Earnings per common share assuming full dilution is computed assuming conversion of all convertible preferred stock with appropriate elimination of preferred dividend requirements and exercise of stock options and warrants.

(11) Contingent Liabilities and Commitments

During 1969, a United States District judge ruled that the Company omitted material information from a proxy statement and failed to present a fair plan of merger in connection with the 1963 merger with General Outdoor Advertising Co., Inc. Hearings were subsequently conducted before a special master who recommended that the court assess damages against the Company approximating $4,250,000, subject to certain adjustments including interest. Both the plaintiffs and the Company have filed objections to the special master's report which has not been responded to by the court. After considering the Company's objections to the master's report and its rights of appeal to a higher court and reviewing this matter with legal counsel, the Company does not expect resultant damages, if any, to materially affect its financial condition or operations.

The approximate minimum annual rentals under long-term leases, exclusive of leases with wholly-owned real estate subsidiaries, are as follows: fiscal years 1972-1976, $19,548,000; 1977-1981, $14,201,000; 1982-1991, $6,262,000, and 1992-1996, $3,432,000. These amounts exclude maintenance costs, real estate taxes, insurances, etc., and increased amounts based on percentages of sales which may be payable in some cases.

(12) Subsequent Event

The Company has approved the merger of Red Owl Stores, Inc. into a new wholly-owned subsidiary of the Company. The merger is subject to the approval of Red Owl's Board of Directors and stockholders, and if approved, will result in the issuance of approximately 257,000 shares of the Company's common stock based upon a ratio of .875 of a share for each share of Red Owl publicly held.

ACCOUNTANTS' REPORT

Peat, Marwick, Mitchell & Co.,
1800 Midwest Plaza Building,
Minneapolis, Minnesota 55402

The Board of Directors and Stockholders
Gamble-Skogmo, Inc.:

We have examined the consolidated balance sheet of Gamble-Skogmo, Inc. and consolidated subsidiaries as of January 30, 1971 and the related statements of earnings, stockholders' equity and source and application of funds for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of Gamble-Skogmo, Inc. and consolidated subsidiaries at January 30, 1971, the results of their operations and the source and application of their funds for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.
March 26, 1971

GAMBLE-SKOGMO, INC.

DOMESTIC STORES BY STATE (3,194 as of January 30, 1971)

		Alaska	Arizona	Arkansas	California	Colorado	Georgia	Hawaii	Idaho	Illinois	Indiana	Iowa	Kansas	Kentucky	Louisiana	Maine	Maryland	Michigan	Minnesota	Mississippi	Missouri	Montana	Nebraska	Nevada	New Mexico	New York	North Dakota
COMPANY-OWNED	Buckeye Marts																										
	Tempo Stores					4			2	3	1	2	3					7	8		2	3	5		1		4
	Gamble Department Stores			1	2					4	5	2		3	1	1		1									
	McDonald Dept. Stores		1		10	8			1				25									5	28				
	Gamble Stores					7				4	2	12	4					6	8		2	6	7		1		
	House of Fabrics Stores			1		2				1	4	2	9					3			7		1				
	Mode O'Day Stores		1	2	15	1					1	4	1		1			3	1	2	3	1			1		
	Rasco Stores		1																						1		
	Red Owl Food Stores											3	18					9	80		9						13
	Snyder Drug Stores																		32								
	Aldens Catalog Sales Offices										1			1			1	1			1						
	Total		3	4	27	22			3	12	14	25	60	4	2	1	1	30	129	2	24	15	41		4		17
FRANCHISED	Gamble Dealers		3			64			14	88	32	125	83	6				130	181		59	64	109		19		52
	Skogmo Dealers					3					1	9	9					11	39		1	5	14				12
	House of Fabrics Dealers			2		6	1		1	19	7	9	7	3	2			2	1		1		1			2	1
	Mode O'Day Dealers	2	16	17	170	22		1	15	28	10	29	29	1	2			8	7		36	6	19	9	15		2
	Rasco Dealers		12		95				4															1	11		
	Red Owl Dealers											11						11	110								39
	Snyder Dealers											3							3								
	Total	2	31	19	265	95	1	1	34	135	50	186	128	10	4			162	341		97	75	143	10	45	2	106

Ohio	Oklahoma Oregon Pennsylvania	South Carolina South Dakota Tennessee	Texas Utah Virginia	Washington Wisconsin Wyoming	Total
18					18
		4		3 1	53
1	1	1 1	2		26
	2		4	4	88
		3		9 3	74
3	4 1		1	1	40
6	1 1	1	5 1	3 2	57
					2
	2	9		37	180
				6	38
2	2				9
30	9 5	1 17 1	10 3	3 58 8	585
15	2	67	2 3	1 159 22	1,300
		8		42 1	155
6	2	1 5	1	16	96
6	18 53	2	51 19	43 8 7	651
	1			11	135
		30		64	265
				1	7
27	22 54	108 5	53 22 1	55 290 30	2,609

GAMBLES CANADA LIMITED

CANADIAN STORES BY PROVINCE (871 as of January 30, 1971)

		Alberta	British Columbia	Manitoba	New Brunswick Newfoundland Nova Scotia	Ontario Prince Edward Quebec	Saskatchewan Northwest Territories	TOTAL
COMPANY-OWNED	Macleods Stores	29	7	12		5	26	79
	Marshall Wells Stores	7	8	4		2	10	31
	Stedmans Stores	3	15		15 1 19	44 2 2	3	104
	Total	39	30	16	15 1 19	51 2 2	39	214
FRANCHISED	Macleods Dealers	53	9	41		5	59	167
	Marshall Wells Dealers	94	72	39		2	49 2	258
	Stedmans Dealers	35	23	5	9 13	124 2 3	18	232
	Total	182	104	85	9 13	131 2 3	126 2	657

This map is intended to show the geographical scope and density of our retail outlets, but not exact locations

PRINCIPAL OFFICES, DIVISIONS & SUBSIDIARIES

OPERATIONS IN THE UNITED STATES—

Minneapolis, Minnesota:
5100 Gamble Drive (55416)

GAMBLE-SKOGMO, INC.
Corporate headquarters

GAMBLE ALDEN AGENCY, INC.
Markets multiple-line insurance coverages

GAMBLE ALDEN LIFE INSURANCE COMPANY
Provides life, health and credit insurance

GAMBLE DEVELOPMENT COMPANY
Develops and leases real estate

GAMBLE SKOGMO ACCEPTANCE CORPORATION
Purchases installment receivables from the parent company and its franchised dealers

GAMBLE STORES DIVISION
Operates and franchises Gamble hardlines stores and Skogmo softlines stores

GAMBLES C & M LEASING COMPANY
Leases motor vehicles and other equipment to fleet and individual users

GAMBLES HOLIDAY TRAVEL SERVICE DIVISION
Provides business and vacation travel services

TEMPO STORES DIVISION
Operates mass merchandising stores

Hopkins, Minnesota:
215 East Excelsior Avenue (55343)

RED OWL STORES, INC.
Operates and franchises food stores

SNYDER'S DRUG STORES, INC.
Operates and franchises drug stores

St. Paul, Minnesota:
441 Wabasha (55102)

GAMBLES CONTINENTAL STATE BANK
Provides general banking services

Chicago, Illinois:
5000 West Roosevelt Road (60607)

ALDENS, INC.
Offers catalog merchandise

GAMBLE ALDENS FINANCE COMPANY
Purchases receivables from Aldens, Inc.

GAMBLE DEPARTMENT STORES, INC.
Operates department stores

Columbus, Ohio:
3636 Indianola Avenue (43214)

BUCKEYE MART DIVISION
Operates mass merchandising stores

Lenexa, Kansas:
8101 Lenexa Drive (66214)

GAMBLES HOUSE OF FABRICS DIVISION
Operates and franchises fabric shops

New York, New York:
450 West 33rd Street (10001)

GAMBLES CORPORATE BUYING DIVISION
Provides corporate buying services of softlines fashion goods

Burbank, California:
2130 North Hollywood Way (91505)

MODE O'DAY DIVISION
Operates and franchises dress shops; operates factories

2777 North Ontario Street (91504)

GAMBLES IMPORT CORPORATION
Provides corporate import buying services

RASCO STORES DIVISION
Operates and franchises variety stores, mass merchandising stores and toy stores

Hastings, Nebraska:
2635 West Second Street (68901)

J. M. McDONALD CO. DIVISION
Operates department stores

OPERATIONS IN CANADA—

Winnipeg, Manitoba:
1530 Gamble Place (19)

GAMBLES CANADA LIMITED
Directs all Canadian merchandising operations

MACLEODS DIVISION
Operates general merchandise and mass merchandising stores and franchises general merchandise stores

1395 Ellice Avenue (21)

MARSHALL WELLS LIMITED
Operates and franchises hardware stores

Montreal, Quebec:
4090 Jean Talon Street West (9)

CLAUDE NEON ADVERTISING LIMITED
Offers outdoor and electrical sign service

Toronto, Ontario:
7622 Keele Street

STEDMANS DIVISION
Operates and franchises variety stores

GAMBLES OPERATIONS

MERCHANDISING

FOOD & DRUG
- RED OWL
- SNYDERS

MASS MERCHANDISING
- TEMPO
- BUCKEYE MART

DEPARTMENT & SPECIALTY
- GAMBLE DEPARTMENT STORES
- J. M. McDONALD
- GAMBLE/ SKOGMO
- MODE O'DAY
- RASCO
- GAMBLES HOUSE OF FABRICS

CATALOG SALES
- ALDENS

CANADIAN MERCHANDISING
- MACLEODS
- STEDMANS
- MARSHALL WELLS

NON-MERCHANDISING

- GAMBLES C&M LEASING
- GAMBLE ALDEN LIFE INSURANCE
- GAMBLE DEVELOPMENT
- GAMBLES CONTINENTAL BANK
- CLAUDE NEON ADVERTISING
- GAMBLES HOLIDAY TRAVEL SERVICE
- GAMBLES IMPORT

GAMBLE-SKOGMO, INC. P.O. BOX 458 MINNEAPOLIS, MINN. 55440

T.M.

GAMBLE-SKOGMO, INC.

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